Introduction to New Zealand Post

Investor Relations Presentation

June 2011
Change is underway

GROUP OVERVIEW
Long standing history

Over 170 years of postal services

→ The history of New Zealand Post (NZP) dates from 1840 with the establishment of the first Post office

→ By 1984, New Zealand Post Office was a monopoly Government provider of telecommunications and postal services, and also provided a Post Office Savings Bank service, but had suffered from chronic under-investment

→ In 1986, the SOE Act led to the creation of New Zealand Post Limited, Telecom Corporation of New Zealand and PostBank Limited on 1 April 1987

→ The powers of the Board and the Government were separated with no government interference in day to day business operations

→ Telecom and PostBank were later privatised but NZP remains 100% NZ Government owned
Competing in deregulated markets

→ NZP is a commercial company which operates across a range of deregulated, competitive markets
  – The standard letter market was deregulated in 1998 with independent operators given access to the postal network

→ NZP operates a mixed relationship model in its Express business (50/50 JV with DHL in New Zealand and Australia)
  – NZP regards partnering with other corporates as a key part of future success

→ Since 2000, NZP also has sought to diversify away from core postal operations into:
  – Financial services – Kiwibank
  – Information and data management – Datam
  – Digital Services – Datacom, Localist
A sound investment

Strong historical returns

- Although profitability has been under pressure in recent years, NZP is still one of the very few profitable post businesses in the world.

Trusted and iconic brands

- NZP has the best reputation in New Zealand (AMR Interactive Corporate Reputation Index 2010)
- Wide reach into the community
  - Network of over 900 Post Shops and PostCentres
  - Sponsor of the New Zealand Book Awards
  - Community support including includes free postage through Community Post and Books in Homes programme.
Responsive to change

NZP has overcome major strategic threats:

→ In reaction to each of these threats, NZP concentrated on doing what it did better and more efficiently

→ However in the 2010s, NZP will have to be different in order to survive
## Current four fold challenge

<table>
<thead>
<tr>
<th>1. Decline in postal volumes</th>
<th>2. Maturity of Kiwibank</th>
</tr>
</thead>
<tbody>
<tr>
<td>→ Structural decline in postal volumes</td>
<td>→ Excellent growth from inception</td>
</tr>
<tr>
<td>→ Compounded by increasing delivery points</td>
<td>→ Challenger brand in retail banking space</td>
</tr>
<tr>
<td>→ Substitution of other media</td>
<td>→ Diversification of services to maintain asset growth – business banking, wealth management, bancassurance</td>
</tr>
<tr>
<td>→ Some respite by increasing parcel volumes due to internet shopping</td>
<td>→ Need to manage risk as range of services grows</td>
</tr>
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<td></td>
<td>→ Cost: income ratio focus</td>
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<table>
<thead>
<tr>
<th>3. Digital market</th>
<th>4. Retail transformation</th>
</tr>
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<tbody>
<tr>
<td>→ Digital market is the key substitution for ordinary mail</td>
<td>→ Outdated channel/physical model to be addressed through the retail transformation</td>
</tr>
<tr>
<td>→ NZP needs to work out solutions to leverage its brand in this arena</td>
<td>→ Move towards a service model with high use of technology</td>
</tr>
<tr>
<td>→ Localist was recently launched in social media space</td>
<td>→ Simplification of product range and distribution strategy</td>
</tr>
<tr>
<td>→ Other initiatives will capitalise on experience, networks and brand</td>
<td>→ Stand alone Kiwibank flagship hubs</td>
</tr>
<tr>
<td></td>
<td>→ Range of access to postal services via traditional PostShops, enhanced PostCentres and kiosks in partner locations</td>
</tr>
</tbody>
</table>
A strategic revamp

NZP will have to be different in order to survive

→ NZP is in the process of a complete review and overhaul of its business in order to position it for the future

→ NZP will complete a strategic realignment into its core activities and replace the federated business model with an integrated central service model

→ NZP is working out how to leverage off its competitive advantages: its brand, its reach and the innate value in the post network

→ NZP aims to have emerged in its new form by 2015. However, many changes have already taken place and more due to take place from 1 July 2011.

→ A new Group Leadership Team is now in place (see over)
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company/Division</th>
<th>Years</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian Roche</td>
<td>CEO, NZ Post Group</td>
<td></td>
<td>2010</td>
<td>Brian has held a wide variety of leadership roles in New Zealand with a particular focus on transport, treaty settlements, education and housing. He was project manager for the successful bid to secure the hosting rights to Rugby World Cup 2011.</td>
</tr>
<tr>
<td>Mark Yeoman</td>
<td>CFO, NZ Post Group</td>
<td></td>
<td>2009</td>
<td>Mark was previously CFO at Airways and before that CEO of Samoa’s telecom and postal company where he managed its transformation from a government department to a State-Owned Enterprise. Mark has held a number of executive roles in a wide-range of technology based industries in Australia and New Zealand after beginning his career with Deloitte.</td>
</tr>
<tr>
<td>Ashley Smout</td>
<td>Group GM, Operations</td>
<td>Airways Corporation of New Zealand</td>
<td>2011</td>
<td>Ashley was previously CEO at Airways Corporation of New Zealand, Before joining Airways Corporation in 1999, Ashley spent 10 years in general management roles with Schneider Electric, including positions in Australia and Singapore.</td>
</tr>
<tr>
<td>Mark Gibson</td>
<td>CEO, Express Couriers</td>
<td>ECL</td>
<td>2005</td>
<td>Mark was appointed as CEO of ECL after holding a number of senior roles within Courier Post. Mark has an executive management background across a number of different industries, including freight, distribution, retail and automotive.</td>
</tr>
<tr>
<td>Malcolm Shaw</td>
<td>Group Manager, Assurance</td>
<td></td>
<td>2000</td>
<td>Malcolm’s role also includes General Counsel and Company Secretary. He has an extensive legal background, as Legal Counsel for Contact Energy, Assistant General Counsel for the New Zealand Dairy Board and as a lawyer for a number of firms both here and overseas.</td>
</tr>
<tr>
<td>Paul Brock</td>
<td>CEO, Kiwibank</td>
<td></td>
<td>2002</td>
<td>Paul has an extensive background in New Zealand’s banking industry, including managerial roles with Westpac and Trust Bank. He was part of the team that created Kiwibank in 2002 and has held a number of key positions within the bank, including GM Marketing and GM Savings and Transactions.</td>
</tr>
<tr>
<td>Gary Woodham</td>
<td>Group GM, Customer Services &amp; Solutions</td>
<td></td>
<td>2004</td>
<td>Gary was previously CEO of Datam (formerly Datamail). He has extensive experience in business process outsourcing, change management, and customer experience, including 27 years with Databank/EDS in New Zealand and Asia Pacific.</td>
</tr>
<tr>
<td>Jacqui Cleland</td>
<td>Group Manager, HR</td>
<td>Inland Revenue</td>
<td>2007</td>
<td>Jacqui was previously GM IR at Inland Revenue and before that HR Manager in Fonterra’s Marketing and Innovation Division. She previously researched and lectured in human resource management at Massey University and has performed HR consulting both in New Zealand and overseas.</td>
</tr>
<tr>
<td>Paul Reid</td>
<td>Group GM, Innovation &amp; Technology</td>
<td>MetService Limited</td>
<td>2011</td>
<td>Paul was previously CEO at MetService Limited, Before joining MetService in 2007, Paul held a variety of senior commercial and operational positions with Air New Zealand, Carter Holt Harvey and Ernst &amp; Young.</td>
</tr>
</tbody>
</table>
The new shape of NZP will focus the business on core and growth businesses without the distraction of a large non-core portfolio.

<table>
<thead>
<tr>
<th>Division</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Kiwibank, New Zealand Home Loans</td>
</tr>
<tr>
<td>Postal</td>
<td>The delivery of post and packages and the channels to maximise this.</td>
</tr>
<tr>
<td>Digital</td>
<td>Expansion into innovative digital service</td>
</tr>
</tbody>
</table>
Revenue and EBIT split

The legacy Postal businesses still contribute the majority of NZP revenue but financial services is increasing its contribution to EBIT.

External revenues by division:
- Postal: 74%
- Financial Services: 21%
- Digital: 5%

Reported revenues by division:
- Postal: 70%
- Financial Services: 23%
- Digital: 7%

EBIT by Division:
- Financial Services: 77%
- Postal: 17%
- Digital: 6%

All figures from 2010 reported results.
## Foundations for success

<table>
<thead>
<tr>
<th>Simplify</th>
<th>Make it easy to do business with us</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop</td>
<td>Grow a strong Group Culture</td>
</tr>
<tr>
<td>Grow</td>
<td>Continued growth to deliver profitability</td>
</tr>
<tr>
<td>Deliver</td>
<td>Deliver a superior customer experience</td>
</tr>
<tr>
<td>Build</td>
<td>Build a digital future</td>
</tr>
<tr>
<td>Build a sustainable physical network</td>
<td>Create a Digital future</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Financial</td>
<td></td>
</tr>
<tr>
<td>Increase sustainable earnings</td>
<td>Deliver improved return on capital</td>
</tr>
<tr>
<td>Customers</td>
<td></td>
</tr>
<tr>
<td>NZ Post is a trusted part of my community</td>
<td>Delivers relevant and innovative solutions that I value</td>
</tr>
<tr>
<td>Processes</td>
<td>Commercialise digital opportunities</td>
</tr>
<tr>
<td>Create a sustainable integrated physical network</td>
<td></td>
</tr>
<tr>
<td>People/Culture</td>
<td></td>
</tr>
<tr>
<td>Create the environment and capability in our workforce to succeed</td>
<td></td>
</tr>
<tr>
<td>Improve the way we use our capital</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Working Smarter</td>
<td></td>
</tr>
</tbody>
</table>
Making it easy

Putting the customers at the centre of the business

→ A genuine overhaul of how we approach the business
→ More active customer engagement in service design
→ Examples include:
  – Development of kiosks for simple services so that customers can complete simple transactions and avoid PostShop queues
  – Potential development of a digital post network – NZP has recently licensed a digital postal platform from US-based Zumbox
  – Localist – responding to the needs and demands of small, local businesses and the trend for consumers to both 1) use social media and 2) stay local
→ The creation of an agile business will respond quickly to customer demands with benefits to customers and NZP alike
The postal division focuses on the traditional NZP businesses: post, express, branch network and information management.
Streamlining the products

→ The current network is a key asset of NZP but it needs to be used in a more sustainable and profitable way with NZP moving from being a slow follower to a sector leader

→ The current offering from NZP is confusing for the customer and will be simplified to create a more seamless offering across mail, parcel, courier
  - Customers solutions will be offered on the basis of their needs rather than the rigidity of multiple product lines

→ In addition, the ‘back office’ of delivery has also mixed various product lines – e.g. parcels going through both the letter and the express system

→ The creation of a new division – Customer Services and Solutions – incorporating Postal Services Group (PSG) (sales and marketing functions only), Retail and Datam will help to reduce the duplication in services and costs and eliminate internal competition for the same customers
Volume decline in letters

→ Volume decline has accelerated in recent years – however NZP believe that letters will remain an essential communication over the long term and that it must manage towards a sustainable level

→ NZP still holds the majority of the market

→ Although digital alternatives may cannibalise existing volumes, its pervasive substitution means that NZP needs to integrate with digital – creating and delivering a digital mail service without creating internally competing businesses
Letters – pricing and costs

→ NZP’s standard letter price increased in 2010 from 50 to 60 cents – this remains good value vs. other Western countries

→ NZP still needs to improve bulk pricing to recover the true/full cost of delivery

→ Access pricing for other market operators is being reviewed by the Postal Network Access Committee; NZP believes an increase is necessary

→ NZP will redesign the cost structure of the business in order to build a sustainable physical network under a wide variety of volume scenarios. Initiatives include:
  - More flexible resourcing models
  - Structuring of automatic mail house sorting to remove/reduce the hand sort by the posties
Parcels present an opportunity

- Parcels present a greater market opportunity than letters with a forecast positive CAGR although the corporate sector is particularly competitive
- NZP needs to focus on the much wider variety of goods that it is capable of delivering:
  - Apparel, electronics, pharmas, wine, publishing, general consumer goods
- Prior to the formation of CSS, there has been a big overlap between PSG and Express divisions – these offerings can now be streamlined
Express

- The Express market is serviced in NZP by Express Couriers Ltd (ECL) – a 50% joint venture with DHL
- ECL currently services c. 40% of the courier market and faces direct competition from Freightways
- The Express market is more exposed to the vagaries of the economic cycle and it is predicted that returns will improve in line with the expected upturn in the economy
- The Postal division is currently trialling new methods to deliver ‘the last mile’ in the most efficient manner through a combination of courier and traditional postal delivery mechanisms

![Express Couriers – Revenue and EBIT trends](Image)

Source: NZP

- Revenue
- EBIT

2006 2007 2008 2009 2010

Revenue $m

0 50 100 150 200 250 300 350

EBIT $m

0 5 10 15 20 25 30 35

Investor Relations Presentation
Branch network

The branch network is at the forefront of NZP’s physical presence and retail platform

- At the heart of the community in central locations for convenient access
- Kiwibank has used this platform to reach its target market and will now look to how it can leverage the branch network to generate further growth

NZP’s branch network is underscored by the Deed of Understanding with the Crown which promises a minimum of 880 outlets, including at least 240 PostShops throughout NZ

However, the stand-alone network made a loss of $40m last year and needs to undergo a fundamental transformation in order to deliver services to customers how and where they want them

### Branch network data (as at 30 June 2011)

<table>
<thead>
<tr>
<th></th>
<th>Post Shops</th>
<th>Post Centres</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper N.I.</td>
<td>150</td>
<td>222</td>
<td>372</td>
</tr>
<tr>
<td>Lower N.I.</td>
<td>66</td>
<td>161</td>
<td>227</td>
</tr>
<tr>
<td>South Island</td>
<td>76</td>
<td>239</td>
<td>315</td>
</tr>
<tr>
<td>Total</td>
<td>292</td>
<td>622</td>
<td>914</td>
</tr>
<tr>
<td>Deed of Understanding</td>
<td>240</td>
<td></td>
<td>880</td>
</tr>
</tbody>
</table>
Retail transformation

→ The retail transformation will boldly address the current service offering and aim to deliver a superior customer experience.

→ The product range offered by the branch network will be rationalised and the sale of various lines will be co-ordinated more effectively rather than competing against each other.

→ Although some outlets and PostShops will close due to the transformation, NZP plans to broaden the access to commodity postal products such as stamps via alternative outlets.

→ The range of outlets offered could include:
  - Stand-alone Kiwibank flagship stores
  - Full service PostShops in high growth areas
  - PostCentre Plus stores will include some banking services
  - Small outlets such as kiosks in partner sites e.g. supermarkets, petrol stations
Information management

→ Datam provides high tech bulk mail services – both physical mail and email / web access (e.g. bank statements, utility bills etc) handling large amounts of raw data for clients

→ Investment in new colour printers allows Datam to offer a superior bulk mail product, allowing customers to combine billing contact with promotional activity
  - This has led to an upgrade in the quality of paper communications leading to increased consumer participation particularly vs. email

→ Advertising mail is worth c. $220m p.a. – but remains a small part of the total advertising market (c. 5%)

→ Reach Media, a JV with Australian based Salmat, handles unaddressed mail with a sophisticated database of addresses and consumer preferences

→ Opportunities exist to partner in further customer contact, targeted media and business process outsourcing solutions
Financial Services

Kiwibank success story

→ Financial Services consists of Kiwibank, New Zealand Home Loan Company and Kiwi Insurance

→ Kiwibank was launched in 2002 and has steadily grown revenue and profits since inception

→ Focused on high levels of service through leveraging off wider branch network through PostShops and high level of innovation for internet and mobile banking

→ 8% main bank market share with more than 700,000 customers and Cannex Sunday Star Times best bank four years in a row

→ Financial services now contributes 23% of revenue and 77% of EBIT to the NZP Group

→ With rapid growth over the past 9 years, the bank is now moving into a new phase of growth, with plans to diversify its asset base into new markets
The next level

Expansion outside of retail core

→ Traditional target market of middle income retail customers:
  - Funded by retail deposits
  - Home loans lending
→ In order to take the bank to the next level, Kiwibank is aiming to increase market share in the following areas:
  - Business banking
  - Wealth management
  - Credit cards
  - Insurance

![Total banking asset growth chart](chart)

![Banking asset split at 30 June 2010](chart)
Managing risk

Change in gear

→ Home loans have been managed in a conservative fashion with all loan to value loans over 80% requiring compulsory mortgage insurance
→ Branching into new business areas will be managed carefully in order to minimise risk
→ Business banking made provisions of $26m in H1 FY2011 given the continued downturn in the economy
  - Total provisioning only 31bps of total assets
  - Review of credit policies to tighten borrowing requirements
  - Business lending has a different risk profile to residential lending – which helps to diversify risk. However, no cash flow lending at this stage – borrowing secured against business owner homes
Kiwibank capital and funding

Working towards capital self sufficiency

→ To date, NZP has injected $310m of equity funding since establishment, with $15m injected in FY2010. However, Kiwibank is increasingly looking to become self sufficient in terms of ongoing capital requirements

→ S&P rating of AA- (Stable) reflects the same NZP parent rating and NZP’s guarantee of Kiwibank’s senior bonds
  - This relationship will continue unless there is a significant dilution in the guarantee
  - NZP’s uncalled capital facility from the NZ Government adds balance sheet strength

→ Retail deposits remain very healthy despite the increased competition in this market

→ Recent capital raisings include:
  - $150m of perpetual preference shares
  - A$250m Australian fixed rate bond (5 years)
  - $30m of private placement
  - European Commercial Paper programme with capacity up to US$2bn
Funding split

Bank funding at 30 June 2010

- Australian fixed rate bond (A$250m) 308
- Certificates of deposit 378
- Term Subordinated Debt 135
- Other debt securities 109
- Retail deposits (including PIEs) 6,911
- Wholesale deposits 3,383
- Equity injected by NZ Post 310
- Perpetual preference shares 150
- Retained earnings net cash flow hedge 174

Debt securities - $930m
Deposits - $10,295m
Equity - $634m
Kiwibank liquidity

In excess of policy requirements

→ The RBNZ’s liquidity policy, operational since April 2010, requires NZ banks to fund a set percentage of the balance sheet with stable liabilities: the “Core Funding Ratio”
  - Current requirement of 65%
  - 1 July 2011 - increasing to 70%
  - Kiwibank internal policy of 75%

→ Kiwibank core funding ratio as at 31 March 2011 was 82%

→ Tier 1 capital ratio is 9.0%, in excess of regulatory requirements (6.0%)
Digital

Leveraging off NZP’s trusted brand into digital services

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Localist</td>
<td>Just launched in Auckland – an online directory service capitalising on social media and localisation trends</td>
</tr>
<tr>
<td>Datacom</td>
<td>36% stake in respected ICT provider with full service offering</td>
</tr>
<tr>
<td>Converga</td>
<td>Digital data management and business process outsourcing – to be separated out of Datam</td>
</tr>
</tbody>
</table>

→ Offering a business to customer and business to business service (via ECN) but not just digitising the existing value proposition

→ Need to convert from limited to substantial earnings in digital and become a credible brand in the digital space
Localist

Online and printed local directory service in Auckland

→ Directional media market is valued c. $1bn in New Zealand with approximately $350m in Auckland

→ A New Zealand market opportunity mirroring global changes
  – First directory in NZ with a substantial digital offering using cutting edge technology
  – Builds on trends for local recommendations – e.g. Yelp.com, citysearch.com
  – Localist will be multi channel – print, digital, mobile

→ NZP instrumental to the business proposition
  – Trusted brand is very valuable part of the proposition to local business owners
  – Leverages existing networks:
    → Uses NZP’s addressing database to define and find its customers
    → Uses Reach Media’s network and delivery capabilities to get the printed directory to market
  – NZP has a track record of growing challenger brands including Kiwibank
Datacom

36% stake in growing ICT business

→ Track record of strong organic and inorganic growth
→ NZP’s investment was valued at $104m last year with recent results likely to improve share valuation year on year
→ Growing geographic diversity – over 50% from outside NZ in Australia/Asia
→ NZP has a ‘hold’ policy on the investment while looking to enhance the value of its investment both directly and indirectly

Source: Datacom

Revenue growth...

..matched by growth in profits

Source: Datacom
Growing market for Converga

→ There is a significant opportunity to offer business process outsourcing services to Government departments
  - The Government has indicated that it is keen to see NZP participate in services and procurement
  - More efficient handling of back office – firstly intra-department then inter-department
  - Already secured registry contracts with Ministry of Health – outsourcing of data and communications management of, for example, the national cervical screening programme

→ Business process outsourcing to other corporates remains a large scale opportunity for digital services including:
  - Work flow management
  - Paperless accounts – and integration of hybrid mail
  - Software as a Service and cloud computing of statements/invoices etc
Active portfolio management

Rationalising the periphery businesses in line with the main strategy

→ Strategic review of ECN underway including assessment of benefits of a new strategic shareholder

→ Transend exit underway with residual customer commitments being completed and/or transferred into other parts of NZP

→ Airpost - reviewing the ownership of fleet of planes. One plane sold in H1 FY2011 leading to a one-off $5.7m loss on sale (less than ongoing maintenance costs) – a further 6 aeroplanes in the fleet

→ Parcel Direct Group – divestment process underway – may sell full or partial portfolio
Revenue and Expenses

- Revenues have declined in recent years as volume decreases in the core postal business impact on Group revenues.
- Cost have remained static which has led to a decline in the operating margin.
- Underlying volume decline in postal is inevitable due to technological substitution. Recent standard letter price increase helps to offset this but the cost base must be addressed.
- Current initiatives seek to drive down the cost base and reduce the layers of complexity:
  - Avoiding duplication through creation of CSS.
  - Right-sizing of cost base for a paradigm shift in postal volumes.

![Financial trends chart](chart.png)

Source: NZP
Profitability

Steady underlying trend

→ Headline performance in recent years has been impacted by one off costs

→ Underlying profitability has been steady, with growth from financial services offsetting a decline in postal profits

→ Given the decline in postal profits, the Group is undergoing a significant restructuring

→ During this period, NZP’s shareholder, the NZ Government, has agreed to a reduced dividend payout of 30% of NPAT excluding Kiwibank NPAT and any material unrealised fair value movements
Strong financial position

→ NZP retains a conservative debt position with leverage of 23%

→ NZP’s debt funding comes from a range of sources and tenor – reducing re-financing risk in any given year

→ The wholesale bond of $100m matures in November 2011 – NZP intends to refinance this in 2011

→ The retail hybrid note of $200m matures in 2039 and includes a 50% equity credit. Buyback and/or remarketing is possible in 2014 when a 1.0% step up margin occurs

→ Overall, the Group has ample credit lines available should the need arise. However, management is mindful of the need for further investment; leverage ratios; and any impact on the credit rating

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Facility (NZDm)</th>
<th>Drawn (NZDm)</th>
<th>Maturity</th>
<th>Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash advance</td>
<td>100</td>
<td>0</td>
<td>Dec-11</td>
<td></td>
</tr>
<tr>
<td>Commercial paper</td>
<td>200</td>
<td>60</td>
<td>Dec-11</td>
<td>7.10%</td>
</tr>
<tr>
<td>NZP Bonds</td>
<td>200</td>
<td>100</td>
<td>Nov-11</td>
<td>7.50%</td>
</tr>
<tr>
<td>NZP Hybrid Notes</td>
<td>200</td>
<td>200</td>
<td>Nov-39</td>
<td>7.50%</td>
</tr>
<tr>
<td>Kiwibank subordinated debt 1</td>
<td>60</td>
<td>60</td>
<td>Sep-18</td>
<td>8.75%</td>
</tr>
<tr>
<td>Kiwibank subordinated debt 2</td>
<td>75</td>
<td>75</td>
<td>Mar-17</td>
<td>7.72%</td>
</tr>
</tbody>
</table>

NZP debt maturity profile

Source: NZP
Capital structure

As at 30 June 2010

- Bank loans: 12
- Commercial paper: 40
- Bonds: 100
- Kiwibank subordinated debt: 135
- Hybrid bonds: 200
- Preference share: 150
- Reserves: 494
- Share capital: 192

Debt securities - $287m

Hybrid bond - $200m (50% equity credit)

Equity - $836m
Cash flow

- NZP’s cash flows from operations remain healthy
- In recent years, the growth of Kiwibank has absorbed cash but this trend is now improving
- Capital expenditure has been extensively reviewed over the past year
  - A large number of projects were found to deliver limited financial returns – these have now been halted
  - Free cash flow will strengthen as these changes flow through
Standard & Poors credit rating

AA- (Stable)

➔ The rating reflects S&P’s assessment of NZP’s business and support from the NZ Government
  — “Excellent” business profile – strong market position and trusted brand
  — “Intermediate” financial profile – low leverage of < 25% and strong liquidity

➔ The strength of the Government relationship is fundamental to the rating - although there is no Government guarantee, S&P believes that there is strong evidence of historic and ongoing Government support
  — The uncalled capital facility of $300m is further evidence of this strong relationship
  — Operation of a flexible dividend policy

➔ S&P noted the increasing contribution of Kiwibank to NZP Group and is watchful of both the diversification of their loan portfolio and the need to diversify Group earnings away from over-reliance on Kiwibank earnings
$200m property portfolio

- There is currently over $200m of property assets on the NZP balance sheet
- $31m are investment properties i.e. the tenant is external to NZP
- A review of the portfolio is currently underway in order to rationalise the portfolio
- In general, NZP aims to lease its sites in order to maximise flexibility and leave the risk of ownership to property specialists
- Targeted capital release of at least $30m in FY2012
- Complicated ownership system with various pre-emptive rights etc will impede pace of rationalisation
2011 guidance

Execution of strategic plan leading to one-off costs

→ 2011 NPAT target of $60.8m will not be met due as short-term costs are booked in order to reposition the Group for long-term growth

→ Strong cash position and underlying profitability maintained demonstrating proactive cost control against flat economic conditions however a variety of factors have impacted reported profitability:
  - Christchurch earthquake – costs of $35-40m including a $25m provision for bad debts at Kiwibank
  - Restructuring and write-down costs
    → Retail transformation in order to tackle the loss-making store network
    → Strategy to simplify to core activities leading to write downs in non core assets e.g. loss on sale of aircraft in H1 2011 of $5.7m
    → Continued flat economic conditions impact future valuations
  - Kiwibank bad debt provisions reported in H1 of $26m – increase versus the same period last year
### Key Financial Metrics

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,290.0</td>
<td>1,253.8</td>
<td>1,204.2</td>
</tr>
<tr>
<td>Operating profit</td>
<td>114.4</td>
<td>90.4</td>
<td>24.4</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>136.8</td>
<td>93.5</td>
<td>34.1</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>110.2</td>
<td>71.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Extraordinary items</td>
<td>21.0</td>
<td>(5.8)</td>
<td>(72.3)</td>
</tr>
<tr>
<td>Normalised PBT</td>
<td>115.8</td>
<td>99.3</td>
<td>106.4</td>
</tr>
<tr>
<td>Normalised PAT</td>
<td>89.2</td>
<td>77.6</td>
<td>73.6</td>
</tr>
<tr>
<td>Normalised PBT (ex Kiwibank)</td>
<td>61.3</td>
<td>15.7</td>
<td>41.7</td>
</tr>
<tr>
<td>Normalised PAT (ex Kiwibank)</td>
<td>52.3</td>
<td>14.0</td>
<td>27.7</td>
</tr>
<tr>
<td><strong>Balance Sheet</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kiwibank banking assets</td>
<td>7,138</td>
<td>10,259</td>
<td>12,141</td>
</tr>
<tr>
<td>Total assets</td>
<td>8,037</td>
<td>11,304</td>
<td>13,075</td>
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<tr>
<td>Kiwibank banking liabilities</td>
<td>6,778</td>
<td>9,799</td>
<td>11,457</td>
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<tr>
<td>Total liabilities</td>
<td>7,370</td>
<td>10,635</td>
<td>12,243</td>
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<tr>
<td>Total voting equity</td>
<td>667</td>
<td>669</td>
<td>539</td>
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<tr>
<td>Preference shares</td>
<td>-</td>
<td>-</td>
<td>147</td>
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<tr>
<td><strong>Returns</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normalised ROE (ex Kiwibank)</td>
<td>7.9%</td>
<td>2.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Normalised ROCE (ex Kiwibank)</td>
<td>9.8%</td>
<td>1.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Normalised ROE (Total NZP)</td>
<td>13.4%</td>
<td>11.6%</td>
<td>10.7%</td>
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## Key Performance Indicators

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<thead>
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<th>2009</th>
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<tbody>
<tr>
<td><strong>Postal Services</strong></td>
<td></td>
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</tr>
<tr>
<td>Domestic postal volumes</td>
<td>millions of items</td>
<td>951</td>
<td>887</td>
</tr>
<tr>
<td>International postal volumes</td>
<td>millions of items</td>
<td>101</td>
<td>99</td>
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<tr>
<td>Postal delivery points</td>
<td>millions</td>
<td>1.84</td>
<td>1.87</td>
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<tr>
<td>Standard letter service performance</td>
<td>%</td>
<td>96.5</td>
<td>94.4</td>
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<tr>
<td><strong>Retail</strong></td>
<td></td>
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<tr>
<td>PostShops</td>
<td></td>
<td>325</td>
<td>326</td>
</tr>
<tr>
<td>PostCentres</td>
<td></td>
<td>656</td>
<td>627</td>
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<tr>
<td>Transaction numbers</td>
<td>millions</td>
<td></td>
<td>38.9</td>
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<tr>
<td><strong>Couriers</strong></td>
<td></td>
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<tr>
<td>Road on time performance</td>
<td>%</td>
<td>-</td>
<td>95.6</td>
</tr>
<tr>
<td>Air on time performance</td>
<td>%</td>
<td>-</td>
<td>89.4</td>
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<tr>
<td><strong>Kiwibank Banking Group</strong></td>
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<tr>
<td>Core funding ratio (%)</td>
<td>%</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>Growth in Banking Group assets (%)</td>
<td>%</td>
<td>50.1</td>
<td>27.4</td>
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<tr>
<td>Main bank market share</td>
<td>%</td>
<td>6.1</td>
<td>7.3</td>
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<tr>
<td><strong>Employees</strong></td>
<td></td>
<td></td>
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<tr>
<td>Kiwibank Banking Group</td>
<td>FTE’s</td>
<td>871</td>
<td>934</td>
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<tr>
<td>Postal Group</td>
<td>FTE’s</td>
<td>8,752</td>
<td>8,088</td>
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<tr>
<td>Lost time injury frequency rate</td>
<td>per 200,000 hours worked</td>
<td>3.43</td>
<td>1.94</td>
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### Key Dates

#### Key reporting dates

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<th>2011</th>
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<tr>
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<td>June</td>
<td>July</td>
<td>August</td>
<td>September</td>
<td>October</td>
<td>November</td>
<td>December</td>
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<tr>
<td></td>
<td>Financial year end</td>
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<td>Final results announced</td>
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<td>Q1 results announced</td>
<td></td>
<td>Half year end</td>
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<th>2012</th>
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<td></td>
<td>January</td>
<td>February</td>
<td>March</td>
<td>April</td>
<td>May</td>
<td>June</td>
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<tr>
<td></td>
<td>H1 results announced</td>
<td></td>
<td>Q3 results announced</td>
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## Contact Details

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>DDI</th>
<th>Mobile</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mark Yeoman</strong></td>
<td>Chief Financial Officer</td>
<td>+64 4496 4099</td>
<td>+64 21 778 404</td>
<td><a href="mailto:mark.yeoman@nzpost.co.nz">mark.yeoman@nzpost.co.nz</a></td>
</tr>
<tr>
<td><strong>Rhiannon McKinnon</strong></td>
<td>Investor Relations Manager</td>
<td>+64 4496 4096</td>
<td>+64 212 488 882</td>
<td><a href="mailto:rhiannon.mckinnon@nzpost.co.nz">rhiannon.mckinnon@nzpost.co.nz</a></td>
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</tbody>
</table>
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